

DEPARTMENT OF PERSONNEL ADMINISTRATION**OFFICE OF THE DIRECTOR**

1515 "S" STREET, NORTH BUILDING, SUITE 400
SACRAMENTO, CA 95814-7243



June 30, 2001

Dear Excluded Employee:

Pardon the impersonal greeting, but it was the fastest way to get this news to you regarding your employer 401(k) contribution. Unfortunately, the news is that effective July 1, 2001, this special benefit for managers, supervisors, confidential, and other excluded employees will be suspended due to severe State budget constraints.

As you know, the Department of Personnel Administration (DPA) first established this benefit in the 2000/2001 fiscal year to recognize the important role of the State's management team. It is a benefit you very much deserve. However, as communicated in all our materials, continuation of the program was to be decided year to year, based on available funding. Although these funds were initially included in the Governor's 2001-2002 budget, issued in January, the subsequent economic downturn and recent revenue shortfalls have forced major cuts in the State budget.

Ongoing benefits from your enrollment in the Savings Plus Program (SPP)

Even without the employer 401(k) contribution, you can benefit by making your own automatic payroll deductions to your account. If you are not already contributing to a 401(k) and/or 457 account through SPP, here's how it works: You decide how much you want deposited in your SPP account each pay period; the amount is deducted from your paycheck pre-tax, which reduces the amount of income taxes you owe. Funds deposited in your account, including the employer contributions you received, are allowed to grow tax free until you withdraw them, generally during retirement.

If you are not currently contributing to a 401(k) or 457 account with Savings Plus, it's easy to start. Simply log on to the Savings Plus Web site (www.sppforu.com) or call the toll-free number (866-566-4777) and follow the system prompts. First, we suggest you review the *Getting Started* handbook and *Investment Guide*; both are available online or through the toll-free number. Customer service representatives also are available at this number to answer your questions.

Excluded employee compensation for 2001-2002

We have developed a proposal to increase the take-home pay for all State employees for fiscal year 2001-2002 and the following year. This proposal has just been offered to the rank-and-file employees in the negotiations over successor agreements to the 1999-2001 labor contracts, and it is DPA's intention to also provide this increase to excluded employees. To receive email updates on the proposal's status, you may want to subscribe to DPA E-News, which you can do by going to our Web site (www.dpa.ca.gov) and clicking on "Subscribe to DPA E-News."

We will continue to pursue an excluded employee compensation program that rewards your hard work on behalf of the State of California. In future years, we hope to restore the employer 401(k) contribution and even improve upon it, budget conditions permitting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marty Morgenstern', with a long, sweeping horizontal line extending from the end of the signature.

Marty Morgenstern
Director